

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 21, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Rick Farrenkopf, Assistant Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouses

EXCUSED: Howard Roundy, Director of Information Technology

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending May 18, 2003 shows retail sales were up 8.4%, on-premise sales were up almost 9.6%, off-premise sales were up about 7.3%, and total aggregate sales were up almost 7.7%. The traffic count increased by 5,150, while the average sales ticket also increased by \$1.28.

The W-1 Total Weekly Sales report for the same week confirms total sales increased almost 7.7% or \$455,352, as they did for the year by 5.49% or \$15,785,224. Wine sales were up for the week by 8.21% or \$223,075, and were also up 8.89% or \$11,493,656 for the year. Sales of spirits increased 7.21% or \$232,277 for the week, and also were up year-to-date by 2.72% or \$4,296,204.

B. Budget Reports:

Craig mentioned that one broker was still carrying a past-due balance, and that they had paid less than one-half of what they promised to pay on what they owe for depletions and post-offs. George said a letter was received from Martignetti Companies, which was forwarded to the Commission asking for a waiver of interest charges which were assessed for a bill which was inadvertently not paid due to the company's new billing system. Previously a letter had been sent out to brokers and vendors stating that payments not received within 30 days would be assessed interest charges. Several other companies have also been charged interest. There was some discussion relative to the timing of payments both by the Commission to creditors and to the Commission by brokers/vendors and to whether or not the Commission's policy was fair. It was moved by Commissioner Maiola that a one-time exception be allowed to Martignetti Companies of N.H. to delete the late charges. This motion was not seconded. Commission Byrne asked that this item be tabled pending further review.

Craig brought up several administrative events. He, Commissioner Maiola and George attended a Senate Capital Budget Committee meeting yesterday, and they will

be attending a meeting of the Senate Finance Committee this afternoon. There is a Commission request for a \$86,000 transfer on the consent agenda for Fiscal Committee this morning; Craig and George will go to this meeting. There is also a Governor and Council meeting this morning, but the Commission does not have anything on the agenda.

Another licensee meeting was held yesterday, which included an in-depth discussion on the software program for Enforcement. This will be followed up by putting together data that can be loaded into a model. Craig may ask representatives from the software company to come in and make a presentation in mid-June.

The current Expense Budget Activity Variance Report shows that as of May 20, 2003 the year is 88.77% expended, with total agency expenditures at 86.3%. George noted that request money was approved from the Salaries and Benefits Adjustment Fund.

Negotiations are in process with American Express, and George said the good news was interest rates would be dropped to 2.25%. This will save \$100,000 on fees alone.

George said the auditors had uncovered a weakness in the inventory process with had to do with entering brand codes. He believes this will be easy to address, but will require some further discussion.

The new software accounting package is on track for implementation on June 2nd. So far, testing has proved the system to be doing everything desired more quickly and efficiently.

Craig mentioned that George Liouzis is still in the ICU unit at Catholic Medical Center. His condition is stable as of this afternoon.

2. IT Report

Rick said Howard has asked for input from bureau chiefs regarding the strategic technical plan by the time he returns from his vacation in a few weeks.

Some problems have occurred with the credit and gift card process which were due to the data base running out of room. There was brief discussion regarding improving the system of notification to the stores when a situation of this type occurs.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total store sales for the week ending 5/18/03 were up \$325,501.97 or 7.04%. There was nothing of significance to report except for the figures for Store #48 Hinsdale, which Peter will examine again.

A successful “kick-off” for the Summer Splash sweepstakes took place yesterday at Eagle Pond, with about 100 employees attending. A promotion for Three Olives Vodka will feature a 24-month Jaguar lease as the grand prize. A Segway Human Transporter is the grand prize of a promotion sponsored by United Beverages/Diageo. Commissioner Byrne said the Commission should be notified of and grant approval to all items which are being promoted during sweepstakes. Nicole mentioned that South Corp./Martignetti Companies are planning a promotion involving a Harley motorcycle giveaway. This will be presented to the Commission next week for approval. There was brief discussion as to where the motorcycle should be displayed.

The last promotion for wine and food events took place on Saturday in the new half of Store #34 Salem, and was very well received by customers. The final conversion for this store is scheduled for June 2nd. The entire floor should be put in by the end of the week. There was, however, a slight problem with the dock.

Hopefully, the second week in June will bring a conversion from side “a” to “b” at Store #38 Portsmouth. The majority of the floor has been laid, and preparations are being made to put the ceiling up and drains in. An increase in business at Stores #76 Hampton and #6 Portsmouth has been observed.

2. Purchasing Report – No report given.

3. Merchandising Report

A. SPIRITS:

1) Line Extension Requests:

a. Seagrams VO Canadian Whiskey PET Flask, 750ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from United Beverages, Inc./Diageo North America for a size extension on Seagrams VO Canadian Whiskey PET Flask, 750ML size, as the brand in the 375ML did not meet the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Crown Royal Special Reserve, 1.75L:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for a size extension on Crown Royal Special Reserve, 1.75L size (assigned four-digit Code #2438), as this brand in the 750ML size has exceeded the gross profit required for an added size listing, as recommended

by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Appeal (Guyet Crème de Cassis):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from Horizon Beverage Company to the delisting of Code #7808, Guyet Crème de Cassis which was delisted on April 23, 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) 3-Month Warning Recommendations:

a. 14 recommendations:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve recommendations concerning fourteen (14) spirit items that achieved 85% of their respective gross profit requirements at the end of a 12-month period, but failed to achieve the remainder after a 3-month warning period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 25 recommendations:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve recommendations concerning twenty-five (25) spirit items that achieved 85% of their respective gross profit requirements at the end of a 12-month period, but failed to achieve the remainder after a 3-month warning period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Free Nips:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Extreme Beverages to accept 355 cases of Extreme vodka nips in five (5) flavors approved for test market on April 17, 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) July Special Offers:

a. 1 additional item – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an additional special offer from United Beverages, Inc., based upon depletions without matching state funds of one (1) spirit item, to be featured on sale during July 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 2 items – Libiamo SRL:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Libiamo SRL, based upon depletions of two (2) spirit items, to be featured on sale during July 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 3 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of three (3) spirit items, to be featured on sale during July 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 46 items – Executive Wine & Spirits/Martignetti Companies:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/, based upon depletions of forty-six (46) spirit items, to be featured on sale during July 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for July 2003:

a. 1 item – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from R.P. Imports, based upon depletions of one (1) wine item, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 1 item – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Pine State Trading Company, based upon depletions of one (1) wine item, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 12 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of twelve (12) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 34 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of thirty-four (34) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 110 items – Executive Wine & Spirits/Martignetti Companies:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of one hundred and ten (110) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Recommended Wine Specialty Products (12 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of twelve (12) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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- 3) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (10 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve ten (10) allocated and restricted wines to be distributed to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated May 14 through May 21, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.
3. Late Items: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

